

# Current economic policy proposal under debate in japan

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The current economic policy of Japan does not give any support to non-profitable organizations, indebted institutes, banking sector that has a direct impact on working class of the society. It is said that current policy can drive many companies into bankruptcy.

The ultimate result can be that many working class people will loose job and unemployment can increase. In order to raise the profitability and decrease the losses on the economy it was estimated that there will be 40% loss on salaries. That would have a damaging impact on their living and spending. It would resemble the era of post war (Conachy, 2001).

Koizumi has advocated a system in order to bring reforms in the current economic status. His reforms were proposed to reduce further debt growth, privatization of certain companies in order to pay off debts of states, and avoid bankruptcies.

Koizumi said, “ There will be companies going bankrupt and increased unemployment, but if we are fearful of unemployment, we will never see the recovery of the Japanese economy.” According to Koizumi for any future economic growth first we’ll have to suffer some initial turmoil, corporate bankruptcies and increase in unemployment. There are no such rules to boost economical status in a matter of day or weeks. Quick boost to have immediate financial outcomes is not possible (Conachy, 2001).

Japan need to completely reform the current policy in order to get fruitful results. For this Japan will have to go through a recession period. According to Koizumi, “ There are people who say emergency economic measures should come first, but the reason the economy is not recovering is the lack of

structural-reform policy..... It is important for Japan to go through 'negative economic growth'—or recession—before it could begin to expand again." (Conachy, 2001)

Koizumi is the fourth candidate in election and suggests that if given charge he would form a coalition government with the opposition parties. His position is very strong in politics and might get most the votes in the upcoming elections (Conachy, 2001).

Few banks including Bank of Japan and Central bank are considering increasing interest rates and monitoring the results. The interest rate was fixed to zero but raised at 0.25 at the central bank in last July.

The economy of Japan is in turmoil because of policy changes. In many instances Bank of Japan is blamed for these damaging impacts.

Japan has the second largest economy of the world. It grew in the last decades because there was considerable increase in investment from the businesses side reaching 2.2 from 0.8% and increased funds from consumer spending to 1.1%. In last December the inflation was slowed with GDP rate of expansion reached to 4.8%.

It is hoped that this will cause an economic recovery. According to Goldman Sachs, "growth suggests there is a high likelihood of the mechanism underlying the economic recovery being sustained in the first quarter and beyond."

According to Akio Makabe, "Raising rates would go opposite to the government's policy of spurring economic growth through lower rates and a

cheap yen, it would be difficult to persuade the government with a rate hike when there is little inflation." (Bloomberg News, 2007)

The current increase in GDP rates is contrasting government decision of economic policy to reduce the price of yen and ultimately no hike from the government side can be expected due to reduced inflation.